

CITY OF MOVILLE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2007

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CITY OF MOVILLE

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James Fisher	Mayor	January 2008
Larry DeBuse	Council Member	January 2008
Michaela Peterson	Council Member	January 2008
Jared Rapp	Council Member	January 2008
George Allan	Council Member	January 2010
Nancy Countryman	Council Member	January 2010
Jackie Stender	City Clerk	Indefinite
Glenn A. Metcalf	Attorney	Indefinite

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Merville
Merville, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Merville, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves regarding the distribution by fund of the total fund balance at July 1, 2006.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2006, as discussed in the preceding paragraph, the aforementioned financial statements present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Merville as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 11, during the year ended June 30, 2007, the City adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2008, on our consideration of City of Merville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 19 and 20 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

City of Merville, Iowa, has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2006, as discussed in the third paragraph, is stated fairly in all material respects in relation to the basic financial statements taken as a whole.

March 12, 2008

Hunzelman, Putz & Co.

CITY OF MOVILLE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

Exhibit A

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
			Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest			
	<u>Disbursements</u>	<u>Charges for Service</u>			<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Functions/Programs:							
Governmental Activities							
Public safety	\$ 143,764	\$ 6,409	\$ 18,970	\$ -	\$ (118,385)	\$ -	\$ (118,385)
Public works	521,959	96,169	134,746	-	(291,044)	-	(291,044)
Culture and recreation	344,123	30,607	24,893	108,263	(180,360)	-	(180,360)
General government	95,389	-	-	-	(95,389)	-	(95,389)
Debt service	102,070	-	-	-	(102,070)	-	(102,070)
Total governmental activities	<u>1,207,305</u>	<u>133,185</u>	<u>178,609</u>	<u>108,263</u>	<u>(787,248)</u>	<u>-</u>	<u>(787,248)</u>
Business type activities							
Water	130,269	136,020	-	-	-	5,751	5,751
Sewer	81,701	121,913	-	-	-	40,212	40,212
Total business type activities	<u>211,970</u>	<u>257,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,963</u>	<u>45,963</u>
Total	<u>\$ 1,419,275</u>	<u>\$ 391,118</u>	<u>\$ 178,609</u>	<u>\$ 108,263</u>	<u>(787,248)</u>	<u>45,963</u>	<u>(741,285)</u>
General Receipts:							
Property tax levied for:							
General purposes					318,667	-	318,667
Utility excise replacement tax					16,136	-	16,136
Tax increment financing					14,603	-	14,603
Local option sales tax					171,067	-	171,067
Unrestricted interest on investments					30,218	-	30,218
Special assessments					11,962	-	11,962
Franchise taxes					7,277	-	7,277
Bond proceeds					321,128	-	321,128
Miscellaneous					4,353	-	4,353
Transfers					<u>35,159</u>	<u>(35,159)</u>	<u>-</u>
Total general receipts and transfers					<u>930,570</u>	<u>(35,159)</u>	<u>895,411</u>

CITY OF MOVILLE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

Exhibit A
(Continued)

	<u>Program Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Assets</u>		
		<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>		<u>Business Type Activities</u>	<u>Total</u>
	<u>Disbursements</u>	<u>Charges for Service</u>		<u>Governmental Activities</u>		
Change in cash basis net assets				\$ 143,322	\$ 10,804	\$ 154,126
Cash basis net assets beginning of year				<u>470,608</u>	<u>233,473</u>	<u>704,081</u>
Cash basis net assets end of year				<u>\$ 613,930</u>	<u>\$ 244,277</u>	<u>\$ 858,207</u>
Cash Basis Net Assets						
Restricted:						
Streets				\$ 240,334	\$ -	\$ 240,334
Debt service				-	35,000	35,000
Unrestricted				<u>373,596</u>	<u>209,277</u>	<u>582,873</u>
Total cash basis net assets				<u>\$ 613,930</u>	<u>\$ 244,277</u>	<u>\$ 858,207</u>

CITY OF MOVILLE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

Exhibit B

	<u>Special Revenue</u>				
	<u>General</u>	<u>Road Use</u>	<u>Local Option Sales Tax</u>	<u>Nonmajor</u>	<u>Total</u>
Receipts:					
Property tax	\$ 255,000	\$ -	\$ -	\$ 63,667	\$ 318,667
Tax increment financing	-	-	-	14,603	14,603
Other city tax	12,892	-	171,067	3,244	187,203
Licenses and permits	7,059	-	-	-	7,059
Use of money and property	59,023	-	-	-	59,023
Intergovernmental	81,692	131,935	-	-	213,627
Charges for service	119,799	-	-	-	119,799
Special assessments	-	8,262	-	3,700	11,962
Miscellaneous	62,397	-	-	-	62,397
Total receipts	<u>597,862</u>	<u>140,197</u>	<u>171,067</u>	<u>85,214</u>	<u>994,340</u>
Disbursements:					
Operating:					
Public safety	143,764	-	-	-	143,764
Public works	245,975	275,984	-	-	521,959
Culture and recreation	344,123	-	-	-	344,123
General government	95,389	-	-	-	95,389
Debt service	-	-	-	102,070	102,070
Total disbursements	<u>829,251</u>	<u>275,984</u>	<u>-</u>	<u>102,070</u>	<u>1,207,305</u>
Excess (deficiency) of receipts over disbursements	<u>(231,389)</u>	<u>(135,787)</u>	<u>171,067</u>	<u>(16,856)</u>	<u>(212,965)</u>
Other financing sources (uses):					
Bond proceeds	-	321,128	-	-	321,128
Operating transfers in	189,370	-	-	35,159	224,529
Operating transfers out	-	-	(171,067)	(18,303)	(189,370)
Total other financing sources (uses)	<u>189,370</u>	<u>321,128</u>	<u>(171,067)</u>	<u>16,856</u>	<u>356,287</u>
Net change in cash balances	(42,019)	185,341	-	-	143,322
Cash balances beginning of year	<u>415,615</u>	<u>54,993</u>	<u>-</u>	<u>-</u>	<u>470,608</u>
Cash balances end of year	<u>\$ 373,596</u>	<u>\$ 240,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 613,930</u>

(Continued)

CITY OF MOVILLE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

Exhibit B
 (Continued)

Special Revenue

	<u>General</u>	<u>Road Use</u>	<u>Local Option Sales Tax</u>	<u>Nonmajor</u>	<u>Total</u>
Cash Basis Fund Balances					
Unreserved:					
General	\$ 373,596	\$ -	\$ -	\$ -	\$ 373,596
Special revenue	-	240,334	-	-	240,334
Total cash basis fund balances	<u>\$ 373,596</u>	<u>\$ 240,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 613,930</u>

See notes to financial statements.

CITY OF MOVILLE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

Exhibit C

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Receipts:			
Charges for service	\$ 136,020	\$ 121,913	\$ 257,933
Operating Disbursements:			
Business type activities	<u>130,269</u>	<u>81,701</u>	<u>211,970</u>
Excess of operating receipts over operating disbursements	5,751	40,212	45,963
Operating transfers out	<u>-</u>	<u>(35,159)</u>	<u>(35,159)</u>
Net change in cash balances	5,751	5,053	10,804
Cash balances beginning of year	<u>103,669</u>	<u>129,804</u>	<u>233,473</u>
Cash balances end of year	<u>\$ 109,420</u>	<u>\$ 134,857</u>	<u>\$ 244,277</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	\$ 35,000	\$ 35,000
Unreserved	<u>109,420</u>	<u>99,857</u>	<u>209,277</u>
Total cash basis fund balances	<u>\$ 109,420</u>	<u>\$ 134,857</u>	<u>\$ 244,277</u>

See notes to financial statements.

CITY OF MOVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Merville is a political subdivision of the State of Iowa located in Woodbury County. It was first incorporated in 1889 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Merville has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the City. The City has no component units which meet the Governmental Accounting Standard Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint members to Woodbury County Assessor's Conference Board, Woodbury County E911 Board, and Woodbury County Area Solid Waste Agency.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who

CITY OF MOVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for monies received to be used for community betterment and property tax relief.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

City of Merville maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF MOVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

2. CASH

The City's deposits in banks at June 30, 2007, were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Auditing Standards Board Statement Number 3, as amended by Statement No. 40.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds, notes, loans, and revenue bonds are as follows:

Year Ending June 30,	<u>General Obligation Bonds and Notes</u>		<u>Revenue Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 82,667	\$ 59,695	\$ 22,000	\$ 13,033	\$ 104,667	\$ 72,728
2009	83,667	44,617	22,000	12,317	105,667	56,934
2010	86,667	41,400	23,000	11,603	109,667	53,003
2011	92,667	38,001	23,000	10,855	115,667	48,856
2012	93,667	34,351	24,000	10,107	117,667	44,458
2013-2017	503,998	112,723	132,000	38,285	635,998	151,008
2018-2022	245,000	25,715	155,000	15,437	400,000	41,152
	<u>\$1,188,333</u>	<u>\$356,502</u>	<u>\$401,000</u>	<u>\$111,637</u>	<u>\$1,589,333</u>	<u>\$468,139</u>

CITY OF MOVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

3. BONDS AND NOTES PAYABLE - (Continued)

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- a. The bonds will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to a separate revenue sinking fund for the purpose of making the principal and interest payments when due.

The City has established the sinking account required by the sewer note resolution.

4. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the year ended June 30, 2007, was \$14,163, equal to the required contribution for the year.

5. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$8,925</u>

This liability has been computed based on rates of pay in effect at June 30, 2007.

CITY OF MOVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

6. SOLID WASTE DISPOSAL AGREEMENT

The City entered into an agreement with the Woodbury County Area Solid Waste Agency, in accordance with Chapter 28E of the Code of Iowa, to provide for the disposal of solid waste from within the City. For the year ended June 30, 2007, \$46,854 was paid pursuant to the agreement.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The closure and post-closure costs to the Agency have been estimated at \$18,708 and \$399,300, respectively, as of June 30, 2007. The Agency has accumulated the resources necessary to fund these costs and, as of June 30, 2007, deposits of \$418,008 are restricted for these purposes. No estimate has been made regarding the effect of future assessments to the City.

7. SERVICE AGREEMENTS

The City has an agreement with CHN Garbage Service, Inc., for refuse collection and hauling of solid waste and recyclable materials. Payments under this agreement were \$45,374 for the year ended June 30, 2007.

8. RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool were \$32,417 for the year ending June 30, 2007.

CITY OF MOVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

8. RISK MANAGEMENT - (Continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2007, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 171,067
	Tax Increment Financing	18,303
		<u>189,370</u>
Debt service	Proprietary:	
	Sewer	<u>35,159</u>
		<u>\$ 224,529</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF MOVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

10. CONSTRUCTION CONTRACTS AND COMMITMENTS

The City has entered into the following contract which was not completed as of June 30, 2007:

<u>Description</u>	<u>Total Contract Amount</u>	<u>Amount Paid as of 6/30/07</u>	<u>Remaining Commitment as of 6/30/07</u>
North 5 th Street Improvement	\$96,975	\$ -	\$96,975

The remaining commitment on this project will be financed with funds on hand.

11. ACCOUNTING CHANGE

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments*; Statement No. 37, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosure*; and Statement No. 41, *Budgetary Comparison Schedule -- Perspective Differences*, were implemented for the year ended June 30, 2007. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MOVILLE
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL
FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 318,667	\$ -	\$ 318,667	\$ 314,870	\$ 314,870	\$ 3,797
Tax increment financing	14,603	-	14,603	37,390	37,390	(22,787)
Other city tax	187,203	-	187,203	162,736	162,736	24,467
Licenses and permits	7,059	-	7,059	5,075	5,075	1,984
Use of money and property	59,023	-	59,023	44,300	44,300	14,723
Intergovernmental	213,627	-	213,627	157,200	187,200	26,427
Charges for service	119,799	257,933	377,732	313,900	313,900	63,832
Special assessments	11,962	-	11,962	-	-	11,962
Miscellaneous	62,397	-	62,397	37,500	37,500	24,897
Total receipts	<u>994,340</u>	<u>257,933</u>	<u>1,252,273</u>	<u>1,072,971</u>	<u>1,102,971</u>	<u>149,302</u>
Disbursements:						
Public safety	143,764	-	143,764	284,069	284,069	140,305
Public works	521,959	-	521,959	214,080	534,080	12,121
Culture and recreation	344,123	-	344,123	174,625	350,625	6,502
General government	95,389	-	95,389	95,981	95,981	592
Debt service	102,070	-	102,070	155,070	155,070	53,000
Business type activities	-	211,970	211,970	214,310	214,310	2,340
Total disbursements	<u>1,207,305</u>	<u>211,970</u>	<u>1,419,275</u>	<u>1,138,135</u>	<u>1,634,135</u>	<u>214,860</u>
Excess (deficiency) of receipts over disbursements	(212,965)	45,963	(167,002)	(65,164)	(531,164)	364,162
Other financing sources (uses), net	<u>356,287</u>	<u>(35,159)</u>	<u>321,128</u>	<u>-</u>	<u>320,000</u>	<u>1,128</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	143,322	10,804	154,126	(65,164)	(211,164)	365,290
Balances, beginning of year	<u>470,608</u>	<u>233,473</u>	<u>704,081</u>	<u>785,908</u>	<u>785,908</u>	<u>(81,827)</u>
Balances, end of year	<u>\$ 613,930</u>	<u>\$ 244,277</u>	<u>\$ 858,207</u>	<u>\$ 720,744</u>	<u>\$ 574,744</u>	<u>\$ 283,463</u>

CITY OF MOVILLE
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION – BUDGETARY REPORTING
JUNE 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities, and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year ended June 30, 2007, the budget was amended one time which increased budgeted receipts by \$350,000 and budgeted disbursements by \$496,000. The budget amendment is reflected in the final budgeted amounts.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MOVILLE
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

Schedule 1

	<u>Special Revenue</u>		
	<u>Tax</u>		
	<u>Increment</u>	<u>Debt</u>	<u>Total</u>
	<u>Financing</u>	<u>Service</u>	
Receipts:			
Property tax	\$ -	\$ 63,667	\$ 63,667
Tax increment financing	14,603	-	14,603
Other city tax	-	3,244	3,244
Special assessments	3,700	-	3,700
Total receipts	18,303	66,911	85,214
Disbursements:			
Debt service	-	102,070	102,070
Total disbursements	-	102,070	102,070
Excess (deficiency) of revenues over disbursements	18,303	(35,159)	(16,856)
Other financing sources (uses):			
Operating transfers in	-	35,159	35,159
Operating transfers out	(18,303)	-	(18,303)
Total other financing sources (uses)	(18,303)	35,159	16,856
Net change in cash balances	-	-	-
Cash balances beginning of year	-	-	-
Cash balances end of year	\$ -	\$ -	\$ -
Cash Basis Fund Balances			
Unreserved:			
Special Revenue	\$ -	\$ -	\$ -
Debt service	-	-	-
Total cash basis fund balances	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF MOVILLE
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2007

Schedule 2

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning Of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End Of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General obligation bonds									
Community center and library	August 15, 2005	3.00-4.10%	<u>\$ 750,000</u>	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 710,000</u>	<u>\$ 27,355</u>	<u>\$ -</u>
General obligation notes									
Street improvements	August 15, 2006	4.70%	<u>\$ 320,000</u>	<u>\$ -</u>	<u>\$ 320,000</u>	<u>\$ -</u>	<u>\$ 320,000</u>	<u>\$ -</u>	<u>\$ 11,948</u>
General obligation loan									
City hall	August 31, 2004	4.50%	<u>\$ 250,000</u>	<u>\$ 175,000</u>	<u>\$ -</u>	<u>\$ 16,667</u>	<u>\$ 158,333</u>	<u>\$ 7,261</u>	<u>\$ -</u>
Revenue bonds									
Sewer	June 18, 2002	3.00%	<u>\$ 500,000</u>	<u>\$ 422,000</u>	<u>\$ -</u>	<u>\$ 21,000</u>	<u>\$ 401,000</u>	<u>\$ 12,660</u>	<u>\$ -</u>

CITY OF MOVILLE
BOND AND NOTE MATURITIES
JUNE 30, 2007

Schedule 3

Year Ending June 30,	General Obligation							Revenue Bonds		
	Community Center and Library		Street Improvement		City Hall			Sewer Improvement		
	<u>Issued August 15, 2005</u>		<u>Issued August 15, 2006</u>		<u>Issued August 31, 2004</u>			<u>Issued June 18, 2002</u>		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total	Interest Rates	Amount	Total
2008	3.00%	\$ 40,000	4.70%	\$ 26,000	4.50%	\$ 16,667	\$ 82,667	3.00%	\$ 22,000	\$ 104,667
2009	3.10	40,000	4.70	27,000	4.50	16,667	83,667	3.00	22,000	105,667
2010	3.20	40,000	4.70	30,000	4.50	16,667	86,667	3.00	23,000	109,667
2011	3.30	45,000	4.70	31,000	4.50	16,667	92,667	3.00	23,000	115,667
2012	3.40	45,000	4.70	32,000	4.50	16,667	93,667	3.00	24,000	117,667
2013	3.50	45,000	4.70	32,000	4.50	16,667	93,667	3.00	25,000	118,667
2014	3.60	50,000	4.70	34,000	4.50	16,667	100,667	3.00	26,000	126,667
2015	3.70	50,000	4.70	34,000	4.50	16,667	100,667	3.00	26,000	126,667
2016	3.80	55,000	4.70	37,000	4.50	16,667	108,667	3.00	27,000	135,667
2017	3.90	55,000	4.70	37,000	4.50	8,330	100,330	3.00	28,000	128,330
2018	4.00	55,000	-	-	-	-	55,000	3.00	29,000	84,000
2019	4.05	60,000	-	-	-	-	60,000	3.00	30,000	90,000
2020	4.10	65,000	-	-	-	-	65,000	3.00	31,000	96,000
2021	4.10	65,000	-	-	-	-	65,000	3.00	32,000	97,000
2022	-	-	-	-	-	-	-	-	33,000	33,000
		<u>\$ 710,000</u>		<u>\$ 320,000</u>		<u>\$ 158,333</u>	<u>\$1,188,333</u>		<u>\$401,000</u>	<u>\$ 1,589,333</u>

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council
City of Merville
Merville, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Merville, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 12, 2008. Our report on the financial statements, which were prepared in conformity with another comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves regarding the distribution by fund of the total fund balance at July 1, 2006. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Merville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Merville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Merville's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of Merville's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Merville's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-07, I-B-07, I-C-07, and I-E-07 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Menville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about City of Menville's operations for the year ended June 30, 2007, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Menville's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusion on the City's responses, we did not audit City of Menville's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of City of Menville and other parties to whom City of Menville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Menville during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

March 12, 2008

Hungelman, Putzier & Co.

CITY OF MOVILLE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by either of two individuals.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - City of Moville will review its procedures and rotate duties.

Conclusion - Response accepted.

- I-B-07 Financial Reporting - Reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable OCBOA financial statements.

Response - City of Moville will continue to provide educational opportunities for its employees to get a better understanding of accounting principles.

Conclusion - Response accepted.

- I-C-07 Reconciliation of Utility Billings, Collections, and Delinquencies - Utility billings, collections, and delinquent accounts were not reconciled throughout the year.

Recommendation - Procedures should be established to reconcile utility billings, collections, and delinquencies for each billing period. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response - We are now reconciling the utility billings, collections, and delinquencies each month and the Mayor is reviewing and monitoring the delinquencies.

Conclusion - Response accepted.

CITY OF MOVILLE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Financial Statements: - (Continued)

SIGNIFICANT DEFICIENCIES: - (Continued)

I-D-07 Electronic Data Processing Systems - During our review of internal control, the existing control activities in the City's computer-based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the City's computer-based systems were noted:

The City does not have written policies for:

- password privacy and confidentiality,
- requiring password changes because software does not require the user to change logins/passwords periodically,
- ensuring that only software licensed to the City is installed on computers,
- requiring the use of an anti-virus program on computers,
- personal use of computer equipment and software

Also, the City does not have a written disaster recovery plan.

Recommendation - The City should develop written policies addressing the above items in order to improve the City's control over computer-based systems and a written disaster recovery plan should be developed.

Response - The City will amend its Employee Handbook to reflect the changes.

Conclusion - Response accepted.

I-E-07 Disbursements - We noted numerous disbursements which were not approved by the Council.

Recommendation - The City should include all disbursements on the monthly list of bills to be approved by the Council.

Response - The Clerk will verify and confirm that all disbursements are listed.

Conclusion - Response accepted.

CITY OF MOVILLE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Financial Statements: - (Continued)

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Statutory Reporting:

- II-A-07 Certified Budget - Disbursements during the year exceeded the amounts budgeted in the public works and culture and recreation functions prior to the budget amendment. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - In the future, amendments will be completed prior to the expenditures.

Conclusion - Response accepted.

- II-B-07 Questionable Disbursements - We noted that there were lump sum payments being made to the township fire department, ambulance department, cemetery, and senior center.

Recommendation - The City should pay actual bills representing a proper expenditure of public funds.

Response - The Council will be paying bills instead of making lump sum disbursements.

Conclusion - Response accepted.

- II-C-07 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-07 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Nancy Countryman, Council Member, Brother owns J&J Motor	Maintenance and repairs	\$4,626

In accordance with chapter 362.5(11) of the Code of Iowa, the above transactions may be a conflict of interest since total transactions were more than \$2,500 during the fiscal year.

Recommendation - The City should review these transactions closely and may want to consult their attorney to determine that they are in compliance with the Code of Iowa.

CITY OF MOVILLE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Findings Related to the Financial Statements: (Continued)

II-D-07 Business Transactions - (Continued)

Response - There are only two businesses in town which do auto repair and maintenance, but the other business cannot perform any of the larger repairs.

Conclusion - Response accepted.

II-E-07 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-07 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. However, the minutes are not being properly signed, and although minutes of Council proceedings are being published, they were not always published within fifteen days of the meeting. Also, published minutes do not include disbursements by fund or a summary of receipts.

Recommendation - The City should ensure that minutes are properly signed and published as required by the Code of Iowa.

Response - The Clerk and Deputy will keep track of publications and we will include the disbursement and receipt summaries in the published minutes.

Conclusion - Response accepted.

II-G-07 Revenue Notes - The City has established the sinking fund required by the sewer revenue note resolution.

II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa. However, the investment policy was last reviewed several years ago and since that time, certain sections of the Code of Iowa dealing with the investment policy have been changed.

Recommendation - The City Council should review and approve the investment policy periodically and update the Iowa Code references.

Response - The investment policy is reviewed and updated yearly and the Iowa Code references have been updated.

Conclusion - Response accepted.

CITY OF MOVILLE
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Statutory Reporting: - (Continued)

- II-I-07 Debt Service - Payments on some of the City's general obligation debt were made from the general fund. Also, the City failed to make two interest payments on the street improvement capital loan notes.

Recommendation - Payments made on general obligation debt should only be made from the debt reserve fund and interest payments should be made when due.

Response - All debt service payments will be made through the debt service fund, and the unpaid interest was paid subsequent to year end.

Conclusion - Response accepted.

- II-J-07 City Code of Ordinances - The City has not compiled the City ordinances within the past five years.

Recommendation - Chapter 380.8 of the Code of Iowa states in part, "At least once every five years, a city shall compile a Code of ordinances containing all City ordinances in effect, except grade ordinances, bond ordinances, zoning ordinances, and ordinances vacating streets and alleys". The City should compile the City ordinances as required.

Response - The City's ordinances will be compiled by June 2008.

Conclusion - Response accepted.

- II-K-07 Transfers - Transfers made during the year exceeded amounts budgeted and specific approval of the transfers was not noted in the Council minutes.

Recommendation - Transfers should be budgeted or approved by the Council.

Response - Transfers will be approved by the council and included in the minutes.

Conclusion - Response accepted.